

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	1
FOC RESPONSE	2
FINDINGS AND RECOMMENDATION	
Assistant FOC IV-D%, and FOC IV-D Staff %	2
Workers' Compensation	3
Referee Costs	3
Fringe Benefit Cost in Central Services	3
Waiver Fee Income not Reported	4
Interest Income not Reported	4
Recommendations	4
SCHEDULE A	5

INTRODUCTION

The Charlevoix County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Charlevoix County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. The Charlevoix County FOC billed the FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed the Charlevoix County FOC for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Charlevoix County FOC for the period October 1, 1999 through September 30, 2000. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Charlevoix County FOC overbilled the FIA for some line items. The State share of the amount overbilled is \$4,960. (See Schedule A.) We also found that the costs allocated to the FOC in Charlevoix County's indirect cost plans were overstated and could result in overbillings for contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002.

Our report recommends the Family Independence Services Administration initiate the process to recoup \$4,960 from the Charlevoix County FOC. Our report also recommends the Family Independence Services Administration require the Charlevoix County FOC to amend the 1999 and 2000 indirect cost plans to remove the overstated costs and amend the related billings.

FOC RESPONSE

The FOC agrees with findings #1, 2, and 3. The FOC disagrees with Finding #4 related to fringe benefits because they believe that the additional fringe benefit amounts are allowable first and second allocations. The FOC disagrees with finding #5, and states that the fees should be considered Circuit Court revenue and not revenue of the FOC. The FOC further indicates that the fees are General Fund revenue that is not restricted to the support of the FOC. The FOC also disagrees with finding #6. The FOC states that it is inappropriate to consider the entire amount of the interest revenue as IV-D revenue because it was meant to fund both IV-D and non-IV-D activities.

FINDINGS

Assistant FOC IV-D%, and FOC IV-D Staff %

1. The Charlevoix County FOC overbilled the FIA \$2,872 for personnel costs, \$310 for other direct costs, and \$536 for central services costs. The costs overbilled are from October, November, and December of 1999. The personnel costs were overbilled because the Assistant FOC's IV-D % was overstated for those months. The IV-D % was overstated because the Assistant FOC counted non-child support (non-IV-D) time as non-productive time. The other direct and central services costs were overbilled because the overstated IV-D % described above caused the FOC IV-D Staff % to be overstated. The FOC IV-D Staff % is used to calculate the allowable other direct and central services costs. (See Schedule A.)

Workers' Compensation

2. The Charlevoix County FOC overbilled the FIA \$231 for workers' compensation costs. The workers' compensation costs billed were based on a rate that did not reflect the actual workers' compensation costs of the County. (See Schedule A.)

Referee Costs

3. The Charlevoix County FOC overbilled the FIA \$428 for referee costs. The costs overbilled are from October and November of 1999. The referee costs were overbilled because the non-IV-D portion was not excluded. The referee prepared time allocation schedules, but they were not used to exclude the non-IV-D costs. (See Schedule A.)

Fringe Benefit Cost in Central Services

4. The Charlevoix County FOC overbilled the FIA \$683 for fringe benefit costs included in central services. The Charlevoix County indirect cost plans allocated FICA, retirement, health insurance, dental insurance, workers' compensation, and unemployment costs to the FOC. These allocations (other than the unemployment, which was properly allocated,) appeared, for the most part, to be allocations of additional costs. As part of our review of the billed personnel costs we tied the personnel costs to the source documents. The review indicated that FIA was billed actual cost. There is no basis to allow any additional costs as part of central services. (See Schedule A) Note: the 1997 and 1998 indirect cost plans are the cost plans discussed in the above Finding. The same allocations, however, were made in the 1999 and 2000 indirect cost plans. This means that in addition to the contract year covered by this audit, contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002 billed costs could be overstated.

Waiver Fee Income not Reported

5. The Charlevoix County FOC underreported, to FIA, other income of \$446. The FOC waiver fee revenue did not offset the costs billed. The Federal Office of Management and Budget Circular No. A-87 (A-87), Attachment A, C.1(i) requires costs to be net of applicable credits as described in C.4. (See Schedule A.)

Interest Income not Reported

6. The Charlevoix County FOC underreported, to FIA, other income of \$1,596. FOC interest income did not offset the costs billed. A-87, Attachment A, C.1(i) requires costs to be net of applicable credits as described in C.4. (See Schedule A.)

WE RECOMMEND the Family Independence Services Administration initiate the process to recoup \$4,960 from the Charlevoix County FOC.

WE ALSO RECOMMEND the Family Independence Services Administration require the Charlevoix County FOC to amend the 1999 and 2000 indirect cost plans to remove the overstated costs, and amend the related billings.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	Due (State) County
1	Personnel	10/1/1999-9/30/2000			\$ (2,872)	
1	Other Direct	10/1/1999-9/30/2000			\$ (310)	
1	Central Services	10/1/1999-9/30/2000			\$ (536)	
2	Personnel	10/1/1999-9/30/2000			\$ (231)	
3	Other Direct	10/1/1999-9/30/2000			\$ (428)	
4	Central Services	10/1/1999-9/30/2000	(749)	91.17%	\$ (683)	
5	Other Income	10/1/1999-9/30/2000	(489)	91.17%	\$ (446)	
6	Other Income	10/1/1999-9/30/2000	(1,751)	91.17%	\$ (1,596)	

Grand Total of the IV-D Audit Adjustments		<u>\$ (7,102)</u>
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Calculation of the Payment Due the (State) County

		Paternity Testing	Total	
Audited IV-D Amount	400,971	-	400,971	
Billed IV-D Amount	(408,072)	-	(408,072)	
IV-D Audit Adjustment Due (State) County	<u>(7,102)</u>	-	<u>(7,102)</u>	
State Share %	69.84%	100.00%		
	<u>(4,960)</u>	\$ -		<u>(4,960)</u>